COMPANY RESULTS

CelcomDigi (CDB MK)

2Q25: Slightly Below Expectations; On Track to Achieve FY25 Guidance

CelcomDigi reported 2Q25 core net profit of RM439m (+7% yoy; +2% qoq), attributed to solid contributions from the enterprise and home and fibre segments, coupled with operating cost savings. However, this came in slightly below our expectations on the back of weak prepaid revenue contributions and elevated provisions for doubtful debts. We trim 2025 net profit forecasts by 5%. Maintain BUY with a DCF-based target price of RM4.30.

2Q25 RESULTS

Year to 31 Dec (RMm)	2Q25	qoq % chg	yoy %chg	1H25	yoy % chg
Revenues	**3,178.5**	**(1.0)**	**2.3**	**6,387.8**	**1.8**
Reported EBITDA	1,384.0	**2.7**	**(0.9)**	2,732.0	(0.4)
EBITDA Margin (%)	*43.5*	1.5	(1.4)	*85.5*	41.8
Pre-tax profits	597.3	8.0	14.8	1,150.4	21.4
Net profit	438.9	13.2	8.1	826.7	5.1
Core Net profit	**439.1**	**2.2**	**7.0**	**868.8**	**(2.0)**
EPS (sen)	3.7	13.2	8.1	7.0	5.7
DPS (sen)	3.8	2.7	8.6	7.5	7.1
Subscribers ('000)	20,374	(1.4)	0.7		
Blended ARPUs (RM/mth)	41	2.5	0.0		
Cost Structure (% of revenue)	**2Q24**	**3Q24**	**4Q25**	**1Q25**	**2Q25**
Direct expenses	23.5%	23.1%	24.9%	26.6%	25.5%
S&M	5.6%	5.2%	5.0%	5.3%	5.4%
Staff cost	7.2%	6.6%	4.1%	7.7%	5.5%
Bad debts	0.8%	1.4%	1.9%	1.0%	3.2%
G&A, others	17.9%	15.6%	16.9%	17.3%	16.8%

Source: CelcomDigi, UOB Kay Hian

RESULTS

- **2Q25 earnings slightly below expectations.** CelcomDigi's 2Q25 core net profit came in at RM439m (+7%yoy; +2% qoq) driven by solid contributions from the enterprise and home and fibre segments, alongside operating cost savings from its restructuring exercise. Performance was weighed down by weaker prepaid revenue contributions from a declining subscriber base and higher provisions for doubtful debt arising from its increased contracted customer base (customers tied to contracts of ≥12 months). 1H25 core net profit accounted for 43% and 47% of house and street estimates.

- **A record interim dividend payout.** The group declared its second interim net DPS of 3.8 sen (102% payout), the highest since the completion of its merger. Our full-year estimate of 17.3sen net DPS (100% payout) translates to a 5% dividend yield.

KEY FINANCIALS

Year to 31 Dec (RMm)	2023	2024	2025F	2026F	2027F
Net turnover	12,682	12,679	12,195	12,228	12,320
EBITDA	6,222	6,159	5,662	5,800	6,213
Operating profit	2,757	2,648	2,756	3,263	3,541
Net profit (rep./act.)	1,551	1,390	1,804	2,192	2,410
Net profit (adj.)	1,552	1,749	1,804	2,192	2,410
EPS (sen)	13.2	14.9	15.4	18.7	20.5
PE (x)	28.6	25.4	24.5	20.1	18.3
P/B (x)	2.7	2.7	2.7	2.7	2.7
EV/EBITDA (x)	9.2	9.3	10.0	9.7	8.9
Dividend yield (%)	3.5	3.8	4.1	5.0	5.5
Net margin (%)	12.2	11.0	14.8	17.9	19.6
Net debt/(cash) to equity (%)	76.6	79.1	77.5	74.2	69.2
Interest cover (x)	3.8	4.3	3.9	4.4	4.6
ROE (%)	9.4	10.8	11.1	13.5	14.9
Consensus net profit	-	-	1,847	2,040	2,204
UOBKH/Consensus (x)	-	-	0.98	1.07	1.09

Source: CelcomDigi, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	RM3.78
Target Price	RM4.30
Upside	+13.8%

COMPANY DESCRIPTION

Mobile operator in Malaysia, providing 2G, 3G and 4G services.

STOCK DATA

GICS sector	Communication Services
Bloomberg ticker:	CDB MK
Shares issued (m):	11,731.5
Market cap (RMm):	44,345.1
Market cap (US$m):	10,503.3
3-mth avg daily t'over (US$m):	2.5

Price Performance (%)

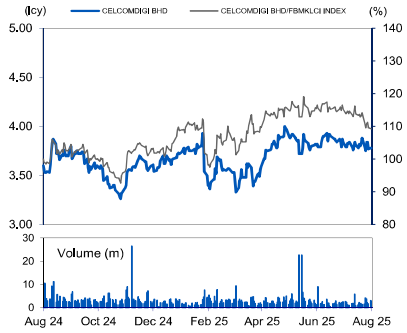
52-week high/low RM4.09/RM3.25

1mth	3mth	6mth	1yr	YTD
(1.6)	(4.8)	6.8	0.5	4.4

Major Shareholders	**%**
Telenor ASA	33.1
Axiata Group Bhd	33.1
Employees Provident Fund	10.7

FY25F NAV/Share (RM)	1.38
FY25F Net Debt/Share (RM)	1.08

PRICE CHART



Source: Bloomberg

ANALYST(S)

Chong Lee Len
+603-2147 1992
leelen@uobkayhian.com

- **1H25 review.** 1H25 recorded a 16.5% yoy EBIT growth to RM1.4b contributed by reduced depreciation and amortisation (D&A) charges coupled with synergistic profit and loss (P&L) savings of RM55m (merger synergies directly affecting P&L). Core net profit declined 2% yoy to RM869m owing to higher tax expenses. Management has guided for a sizable jump in capex intensity heading into 2H25, as the bulk of its IT integration cost would be incurred during the period. Further EBIT margin pressure is expected from elevated D&A expenses linked to the 2024 capex ramp-up, though this is expected to be partly offset by synergistic savings from cost rationalisation initiatives and benefits from the group's manpower restructuring strategy.

STOCK IMPACT

- **Consumer postpaid revenue grew 4% yoy to RM1,079m (+1% qoq),** driven by net adds (+328,000 yoy; +107,000 qoq in 2Q25) from growing contracted base and higher value plans. ARPU remained stable at RM60/month (1Q25: RM60/month, 2Q24: RM63/month), primarily underpinned by family plan penetration. Moving forward, CelcomDigi expects to see slight ARPU dilution but remains confident in its long-term strategy to enhance customer retention and stickiness, thereby promoting higher average revenue per account (ARPA).
- **Consumer prepaid continued to decline 6% yoy and 1% qoq to RM1,050m,** attributed to seasonal slowdown (festivities in 1Q25 and weak internet renewals), while ARPU saw a slight uplift to RM28/month (1Q25: RM27/month) (1Q25: 113,000 net adds). 2Q25 saw a substantial drop in net adds to 12,568 subscribers (-376,000 yoy; -407,000 qoq) owing to a recent internal system optimisation process. The group anticipates a healthier active customer base to support a more resilient revenue trajectory, stronger retention rates, and improved ARPU going forward.
- **Home and fibre base expanding robustly.** The home and fibre division recorded net adds of 95,000 yoy and 31,000 qoq, translating to a revenue base of RM61m (45% yoy, 9% qoq). ARPU moderated to RM94/month in 2Q25 (1Q25: RM96/month, 2Q24: RM103/month on the back of competitive CelcomDigi One convergence plans and fixed wireless access (FWA) penetration into entry-level segments.

EARNINGS REVISION/RISK

- Trim 2025 net profit by 5%, lowering our prepaid service revenue assumption.

VALUATION/RECOMMENDATION

- **MAINTAIN BUY with a DCF-based target price of RM4.30.** At our fair value, the stock trades at its mean EV/EBITDA of 10.5x. CelcomDigi remains on track to achieve its synergistic target of RM700m-800m in annual cost savings beyond 2027.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

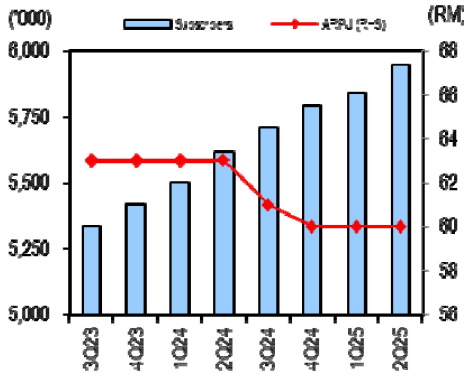
• **Environmental**
- Develop a Net Zero 2050 roadmap and set targets aligned with the SBTi by 2025.
- Migration to cloud-based data centres with lower carbon emissions as compared with traditional data centres.
- Optimise energy use of networks by adopting energy efficient hardware and best practices by retiring legacy networks.
• **Social**
- 100% employee pass-rate in integrity programme assessment in 2024.
- Implemented various social impact programmes (digital inclusion, digital entrepreneurship, and digital skills) and humanitarian efforts.
- Supported the government in delivering JENDELA commitments and reaching out to underserved communities through NaDi internet centres (formerly known as PEDi).
• **Governance**
- 100% training completion in cybersecurity, safety, compliance and ethics in 2024.
- Achieved 37% of women composition in leadership roles in 2024 with a goal of reaching 40% by 2028.

PERFORMANCE GUIDANCE FOR 2025

	2025 guidance
Service Revenue	Low single-digit growth.
EBIT	Low to mid-single digit growth.
Capex intensity	Around 14-16% of total revenue, focusing on enhancing IT platforms as part of integration cost.

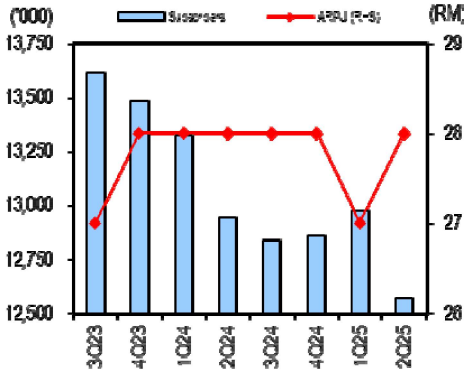
Source: CelcomDigi, UOB Kay Hian

QUARTERLY POSTPAID ARPU AND SUBS



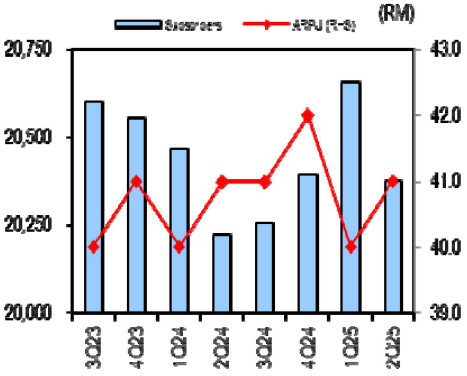
Source: CelcomDigi, UOB Kay Hian

QUARTERLY PREPAID ARPU AND SUBS



Source: CelcomDigi, UOB Kay Hian

QUARTERLY BLENDED ARPU AND TOTAL SUBS



Source: CelcomDigi, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Net turnover	**12,679.5**	**12,195.1**	**12,228.1**	**12,319.8**
EBITDA	6,158.8	5,662.1	5,799.7	6,212.8
Deprec. & amort.	3,151.0	2,906.1	2,536.3	2,671.3
EBIT	2,648.5	2,756.0	3,263.4	3,541.5
Net interest income/(expense)	(900.2)	(485.6)	(508.5)	(513.2)
Pre-tax profit	**1,748.3**	**2,270.3**	**2,754.9**	**3,028.3**
Tax	(346.4)	(454.1)	(551.0)	(605.7)
Minorities	(12.2)	(12.2)	(12.2)	(12.2)
Net profit	**1,389.7**	**1,804.1**	**2,191.7**	**2,410.5**
Net profit (adj.)	1,749.0	1,804.1	2,191.7	2,410.5

BALANCE SHEET

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Fixed assets	6,594.3	5,517.4	4,815.3	4,122.4
Other LT assets	25,619.4	25,619.4	25,619.4	25,619.4
Cash/ST investment	237.3	1,006.1	2,026.6	3,339.1
Other current assets	3,624.2	4,324.8	4,334.1	4,360.0
Total assets	**36,075.2**	**36,467.7**	**36,795.5**	**37,440.9**
ST debt	1,860.3	1,360.3	860.3	360.3
Other current liabilities	5,168.8	5,079.3	4,890.9	4,519.8
LT debt	11,189.2	12,189.2	13,189.2	14,189.2
Other LT liabilities	1,668.0	1,668.0	1,668.0	1,668.0
Shareholders' equity	16,188.9	16,192.2	16,196.2	16,200.6
Minority interest	114.3	114.3	114.3	114.3
Total liabilities & equity	**36,075.2**	**36,603.4**	**36,919.0**	**37,052.2**

CASH FLOW

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Operating	**4,219.2**	**4,417.9**	**5,051.0**	**5,210.2**
Pre-tax profit	1,748.3	2,270.3	2,754.9	3,028.3
Tax	(346.4)	(454.1)	(551.0)	(605.7)
Deprec. & amort.	3,151.0	2,906.1	2,536.3	2,671.3
Associates	316.0	-	-	-
Working capital changes	674.8	(790.1)	(197.7)	(397.0)
Other operating cashflows	(1,324.5)	485.6	508.5	513.2
Investing	**(2,245.4)**	**(1,716.4)**	**(1,721.8)**	**(1,348.1)**
Capex (maintenance)	(2,372.0)	(1,829.3)	(1,834.2)	(1,478.4)
Others	(387.7)	112.8	112.4	130.3
Financing	**(4,423.1)**	**(1,899.3)**	**(2,308.7)**	**(2,549.6)**
Dividend payments	(1,501.6)	(1,800.8)	(2,187.7)	(2,406.1)
Issue of shares	-	-	-	-
Proceeds from borrowings	(2,296.3)	500.0	500.0	500.0
Others/interest paid	(625.2)	(598.5)	(621.0)	(643.5)
Net cash inflow (outflow)	**(825.2)**	**802.2**	**1,020.5**	**1,312.5**
Beginning cash & cash equivalent	**1,220.8**	**203.9**	**1,006.1**	**2,026.6**
Changes due to forex impact	1.4	-	-	-
Ending cash & cash equivalent	**397.0**	**1,006.1**	**2,026.6**	**3,339.1**

KEY METRICS

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	48.6	46.4	47.4	50.4
Pre-tax margin	13.8	18.6	22.5	24.6
Net margin	13.8	14.8	17.9	19.6
ROA	4.8	4.9	6.0	6.4
ROE	10.8	11.1	13.5	14.9
Growth				
Turnover	(0.0)	(3.8)	0.3	0.8
EBITDA	(1.0)	(8.1)	2.4	7.1
Pre-tax profit	(19.8)	29.9	21.3	9.9
Net profit	(10.4)	29.8	21.5	10.0
Net profit (adj.)	12.7	3.2	21.5	10.0
EPS	12.7	3.2	21.5	10.0
Leverage				
Debt to total capital	44.9	45.1	45.3	44.7
Debt to equity	80.6	83.7	86.7	89.8
Net debt/(cash) to equity	79.1	77.5	74.2	69.2
Interest cover (x)	4.3	3.9	4.4	4.6

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